

Message Text

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PAGE 01 SEOUL 00134 080454Z

21

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 PM-04 NSC-05 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 EB-07 IGA-02 TRSE-00 OMB-01 CIEP-01

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 4848

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EAID, KS

SUBJECT: U.S. AID TO ROK FY 76-77

REF: STATE 3025

1. WE BELIEVE REFTTEL IS INCOMPLETE SINCE NO MENTION IS MADE OF FIGURES FOR EX-IM LOANS AND GUARANTEES, OPIC GUARANTEES, CCC CREDITS, OR FMS CREDIT GUARANTEES.

2. THESE ARE NOT AID IN THE USUAL SENSE, SINCE THE BORROWER IN EACH CASE PAYS THE MARKET RATE OF INTEREST RATHER THAN A CONCESSIONAL RATE. HOWEVER, IN THE CASE OF KOREA, WAR RISK CONSIDERATIONS ARE SO HIGH IN THE MINDS OF PRIVATE LENDERS THAT THESE CATEGORIES BECOME AID-LIKE IN THAT THEY ARE ESSENTIAL TO THE CONTINUED FLOW OF FUNDS.

3. IN PERSUADING GOJ OFFICIALS TO BE LIBERAL IN ITS LENDING POLICIES TO KOREA WE BELIEVE IT IS IMPORTANT TO INCLUDE THE ADDITIONAL CATEGORIES MENTIONED SO THAT THEY WILL UNDERSTAND THAT THEIR OWN FINANCING WILL HAVE AN ADDITIONAL IMPACT ON KOREA'S ECONOMIC GROWTH, NOT SIMPLY REPLACE THAT OF THE U.S.

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PAGE 02 SEOUL 00134 080454Z

4. SOME MAY ALSO QUESTION THE INCLUSION OF FMS
CREDIT GUARANTEES IN THE FIGURES. HOWEVER, 1) THERE
WOULD BE NO CREDITS WITHOUT THE GUARANTEES, AND 2)
CREDITS, LIKE MONEY, ARE FUNGIBLE WITHIN LIMITS.
WE BELIEVE THAT THE ROKG WOULD HAVE REDUCED ITS
DEVELOPMENT EFFORTS WITHOUT THESE CREDITS, BECAUSE
OF THE HIGH PRIORITY IT NOW PLACES ON FURTHER
MODERNIZATION OF ITS FORCES.
SNEIDER

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